

Registered No. NI 005192

**Ulster Supported Employment Limited
Annual Report and Accounts
for the year ended 31 March 2017**

Annual Report and Accounts for the year ended 31 March 2017

	Pages
Accountability Report	
Directors and advisers	2
Directors' Report	3 - 9
Foreword by Board Chairman	10
Audit and Risk Committee Report	11 - 13
Management Commentary (Chief Executive's Report)	14 - 19
Strategic Report	20 - 21
Remuneration and Staff Report	22 - 25
Governance Statement	26 - 32
Statement of Accounting Officer's Responsibilities	33
Financial Statements	
Independent auditor's Report	34 - 35
Statement of Comprehensive Net Expenditure	36
Statement of Financial Position	37
Statement of Cash Flows	38
Statement of Changes in Taxpayers' Equity	39
Notes to the financial statements	40 - 57
Appendix 1 – Accounts direction given by the Department for Communities	58

Accountability Report

Directors and advisers

Directors

Jim Perry (Chairman)	Appointed 1 August 2012
Gavin Adams	Appointed 16 April 2012
Aidan Bennett (Audit and Risk Committee Chair)	Appointed 16 April 2012
Trevor Hinds	Appointed 2 January 2013
Donald MacKay	Appointed 15 March 2013
Judith Kelly	Term ended 31 December 2016
Carol Magill	Appointed 1 January 2017

Chief Executive and Accounting Officer

B Atkinson (appointed 4 January 2016)

Secretary

SJ Mowbray (appointed 19 December 2016)

D Macedo (retired 19 December 2016)

Registered office

182/188 Cambrai Street

Belfast

BT13 3JH

Bankers

Danske Bank Limited

235 Shankill Road

Belfast

BT13 1FE

Solicitors

Johns Elliot & Co

40 Linenhall Street

BELFAST

BT2 8BA

Statutory auditors

Comptroller & Auditor General

Northern Ireland Audit Office

106 University Street

Belfast

BT7 1EU

Directors' Report
Year ended 31 March 2017
Background Information

Ulster Supported Employment Limited (USEL) is an executive Non-Departmental Public Body (NDPB) and operates under the direction of the Department for Communities (DfC) (formerly the Department for Employment and Learning) and in particular on a day-to-day basis the Disability Employment Service (DES). The company is a private, not for profit Company, limited by guarantee, domiciled in Northern Ireland, and does not have share capital,.

The Company is a registered charity under Section 505 of the Income and Corporation Taxes Act 1988 with effect from 20 March 1996.

The Company was established in 1962 to fulfil an act of Parliament to provide supported paid employment for disabled people and in 1980 the Company expanded through the acquisition of the Workshops for the Blind (The Belfast Association for the Employment of the Industrious Blind) to become the largest employer of disabled people within Northern Ireland. At the time of the merger the Workshops for the Blind had been providing employment only for people with vision impairment as it had always done since it was established in 1871.

By special resolution the Company changed its original incorporation name of Ulster Sheltered Employment Limited to USEL on 25 September 1998. There have been no changes in the company's activities during the year and none are anticipated in the foreseeable future. These accounts have been prepared in accordance with the accounting and disclosure requirements of the Companies Act 2006 and in a form directed by the Department for Communities with the approval of the Department of Finance.

Business review

A full review of USEL's activities is given on pages 14 – 21.

On the issue of risk, the management team review risk as part of the monthly management team meeting. This is then, where appropriate, updated within the risk register and the Directors receive regular updates on the risk register at the Board four times per annum. This is further augmented by the detailed reporting of the Senior Management Team on the business in the monthly Board Report. The Directors regard the principal risks for the business can be defined in terms of the wider economy within which the Company operates. The Directors are satisfied there are robust plans and activities to manage these risks. In terms of corporate governance the Directors recognise the need to manage the various elements within that, and are satisfied the Accounting Officer discloses accurate and timely information to them and would commend the Senior Management Team for the early adoption of key governance requirements.

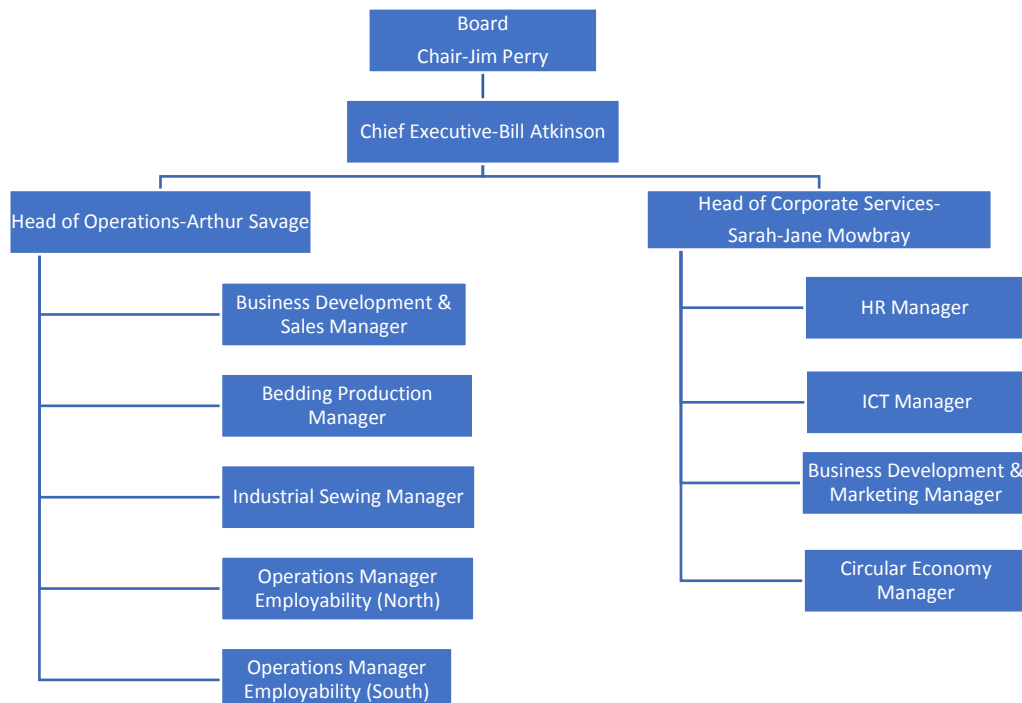
Directors' Report (continued)

Results for the year

The results for the financial year are set out in the Statement of Comprehensive Net Expenditure on page 36. The deficit for the year was £668,218 (2016: £926,026). The Company is in a net liability position at year end. Included on the statement of financial position is an IAS 19 liability in respect of the USEL defined benefit pension scheme totalling £7,742,000 (2015-16: £2,639,000). A 12-year recovery plan was agreed with the Trustees and Scheme Actuary on completion of the 2015 triennial valuation to address the latest funding deficit. Cash flow forecasts have been prepared by management which support the Company's ability to meet its liabilities, including deficit funding contributions, as they fall due for payment for at least twelve months from the date of authorisation of these financial statements. The cash flows assume that the sponsoring department, DfC, will continue to provide grant in aid funding and USEL management have no reason to believe this will not be the case. Management also have no reason, based on informal discussions held with DfC to date, to believe that the outstanding loan balance of £2,337,687 will be called for payment until such times as USEL have adequate cash funds to settle. On this basis, the Directors continue to adopt the going concern basis of preparation for these financial statements.

Company Structure Overview

The management structure of the Company is set out below:



Employee Policy

The Company is committed to providing equality of opportunity. It is our policy that all eligible persons shall have equal opportunity for employment and advancement on the basis of their ability, qualifications and aptitude for the work.

Directors' Report (continued)

Everyone has a right to equality of opportunity and to a good and harmonious working environment and atmosphere in which all staff are encouraged to apply their diverse talents and in which no worker feels under threat or intimidated. This right is protected in many instances by legislation.

Employee involvement

The Company continues to pass information to all employees via a cascade process for employee involvement in this past year. This means that the Chief Executive briefs the entire organisation on a regular basis. The Company continued to run the Employee Forum at which employee representatives are informed of the status of the business and are given the opportunity to engage in questions and answers.

Employee and union representatives have been nominated by their peers and attend a structured meeting with the CEO, HR manager and other managers as appropriate. At this meeting employees are encouraged to raise issues they or their peer group deem appropriate. A Health and Safety committee was established to ensure all health and safety issues are managed appropriately. Each employee within the organisation has team meetings on a regular basis which provides a forum for the employees to be kept abreast of developments and feed back their perspective on changes.

The designated competent person is the Chief Executive who works with external support to ensure the system of Health and Safety across the organisation is in place.

The Environment

Over the last year the company has continued to promote environmental awareness as a key part of its overall strategy. We have again achieved Gold status in the Northern Ireland Environmental benchmark survey. We have built on our previous Green Apple Silver Award by this year getting the All Ireland Award for environmental best practice. These were again presented at a ceremony in the Houses of Parliament. Our mattress recycling has gone from strength to strength and we are working with additional councils to divert this product from landfill. In the last financial year we recycled 400 tonnes of mattress waste, diverting 100% from landfill. Within the factory we continue to monitor consumables and as we refurbish areas we are introducing more environmentally friendly substitutes, for example LED lighting rather than halogen or fluorescent units.

Accounting policies

The financial statements have been prepared on a going concern basis in accordance with applicable EU IFRS accounting standards, in a form directed by the Department for Communities with the approval of the Department of Finance.

Payments to suppliers

USEL is committed to the prompt payment of bills for goods and services received in accordance with the Better Practice Prompt Payers Code. Unless otherwise stated in the contract, payment is due within 30 days of the receipt of goods or services, or presentation of a valid invoice or similar demand, whichever is later. 90% of supplier invoices were settled within this timeframe.

Directors' Report (continued)

Pension fund

The company continues to deliver the dual pension provision following auto enrolment. These are a Defined Benefits scheme, the legacy scheme, and a Defined Contribution scheme operated by NOW Pensions.

The assets of the Defined Benefit Scheme Pension Fund, established for the benefit of the Company's employees, are held in a Trust separately from the assets of the company. Mr Jim Perry independently chairs the Board of Trustees. The Trust Board also has two members nominated by the Directors and two members nominated by the members of the Pension Scheme.

Legal and General Investment Management manage the funds on behalf of the Trustees.

Mercer Limited has been appointed by the Trustees to act as their Administrators and Advisors on the operation of the Scheme. The Company was taken through the review of public sector pension reform process and agreed an outcome with the Department of Finance for the retention of the scheme, which is now closed to new entrants.

The assets or contributions of the defined contributions scheme are held by NOW Pensions and are outside the scope of the Company's trustee scheme.

Policy towards disabled employees

Information regarding employees is provided on pages 14 to 25.

Post Statement of Financial Position events

No significant events have occurred since the date of the Statement of Financial Position which affects the Company or which materially affects the financial statements of the Company.

Non Current Assets

Changes in the Non Current Assets of the Company during the year are disclosed in Note 10.

Charitable donations

The Company made no charitable donations during the year (2016: £nil).

Political donations

The Company made no donations to political parties during the year (2016: £nil).

Personal Data Related Incidents

There are no personal data related incidents to report.

Directors' Report (continued)

Directors

There was one change to the Directors' team over the past year. Judith Kelly's term ended on 31 December 2016. Carol Magill was appointed from 1 January 2017.

Current Service:

Jim Perry – Chairman (Appointed 1 August 2012)

James Perry MSc FCA is a Chartered Accountant and is the chair of the Northern Ireland Social Care Council as well as a Non-Executive director for the Pharmaceutical Council NI. He is also currently vice chair of Ballymena Business Centre. Mr Perry previously held post as Chair of the Board of Governors of Ballymena Academy, is a past Associate with the Centre for Competitiveness, and was previously employed as Corporate Services Director with the Northern Ireland Tourist Board. Mr Perry worked for nearly 20 years as a Senior Manager with Northern Ireland Electricity (NIE).

Aidan Bennett – Finance Director & Audit and Risk Committee Chair (Appointed 16 April 2012)

Aidan Bennett was appointed as a Director of the Company in April 2012. Aidan is a qualified Company Director with an extensive background in delivering major IT change programmes across both the Public and Private Sectors. Aidan is a Managing Partner in both Data Analytics Labs and Cruarch Associates, digital informatics technology businesses. Aidan was appointed the Company's Finance Director and Audit Chair in December 2012. He also holds a position as Trustee Director in RelateNI.

Judith Kelly – Director (Term ended on 31 December 2016)

Judith was appointed as Board Member in July 2010. She has 20 years experience in Financial Services most recently as Head of Online & Telephone Banking for Ulster Bank responsible for the communication, marketing & development of remote banking channels in Ireland. Judith is currently a parent Governor at Meadow Bridge Primary School, Hillsborough. Judith is also an Associate Member of the Chartered Institute of Personnel & Development and a Licentiate Member of the Institute of Bankers in Ireland.

Gavin Adams – Director (Appointed 16 April 2012)

Gavin Adams was appointed as a Director of the Company in April 2012. He is currently Director of Business Development with the Extern Group, where he is responsible for fundraising, finance, ICT, communications and marketing for the organisation. He was previously Senior Manager for Business Development with the Royal National Institute for Blind People and Head of Programmes with the Big Lottery Fund.

Trevor Hinds – Director (Appointed 2 January 2013)

Mr Hinds is the Principal at Trevor Hinds Consultancy. He has previously been a Director in Pricewaterhouse Coopers (PwC) and was a General Manager and Company Secretary for International Factors (NI) Ltd, a wholly owned subsidiary of Bank of Ireland. Mr Hinds is currently a Board Member and Trustee of Mindwise Limited and a Board Member of Bryson Future Skills Ltd.

Directors' Report (continued)

Donald MacKay – Director (Appointed 15 March 2013)

Mr Donald Mackay is a former senior manager in the Northern Ireland Fire and Rescue Service (NIFRS). He continues his role as a senior examiner/marker with the Institute of Fire Engineers (IFE). He has previously held a position as local councillor on Craigavon Borough Council. Mr Mackay is a current member of the Southern Regional College Board of Governors and has a vast array of knowledge and experience, working as Senior Fire Officer and also through the work in the community as an elected representative.

Carol Magill – Director (Appointed 1 January 2017)

Ms Carol Magill is a Network Manager for the Chartered Institute of Marketing in Ireland. She is a former civil servant, with roles in communication, youth training and responsibility for the 'Generating Our Success' strategy, and was previously a Communication/Volunteer Manager with Action Mental Health. Ms Magill holds no other public appointments and brings a range of planning and process management skills and experience to the USEL Board. She has undertaken no political activity during the past five years.

Statement of Directors' responsibilities

Company law and Article 8(6) of the Financial Provisions (Northern Ireland) Order 1993 require the Chief Executive and Directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs and of the surplus or deficit of the Company for that period. In preparing those financial statements, the Chief Executive and Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Company will continue in business.

The Chief Executive and Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

In addition, in appointing the Chief Executive of USEL as Accounting Officer for the Company, the Department for Communities has placed on the Chief Executive responsibilities including the regularity and propriety of the public finances and for the keeping of proper records, which are set out in the "Accounting Officers" memorandum issued by the Department of Finance.

Directors' Report (continued)

Statement of disclosure of information to auditors

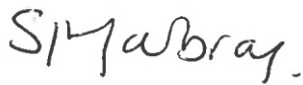
So far as each of the Directors in office at the date of approval of these financial statements are aware:

- there is no relevant audit information of which the Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors

Under the Companies (Public Sector Audit) Order (Northern Ireland) 2013 Ulster Supported Employment Limited is subject to a public sector audit by the Comptroller and Auditor General (C&AG). Although the Northern Ireland Audit Office (NIAO) have contracted the work to KPMG, the audit opinion is issued by the Comptroller and Auditor General.

By order of the Board



SJ MOWBRAY
Secretary
3 July 2017

Foreword by Board Chairman

The last year has seen a considerable amount of reorganisation within the business as further work has been done on the development of new business opportunities. Our new mattress recycling facility was officially opened in September 2016. The growth of mattress re-cycling has been a key element in improving the business performance of the organisation and a number of key contracts has been secured. The environmental importance of this business stream has been recognised through the award of the all Ireland Green Apple Champion. Our new on site retail outlet is now fully operational and has made a very positive start in terms of business trading. Overall bed manufacturing sales have increased by 111% compared to the previous year.

Over the last twelve months plans have been implemented which will reduce annual operating costs by £275k. Further work is currently being undertaken to ensure that all costs are controlled in a way which is consistent with the emerging business model.

USEL has a clear commercial focus consistent with our social enterprise model. Much useful work has been undertaken over the last year to ensure that the organisation is at the forefront of the development of a circular economy. This has included positioning USEL as an effective partner for collaboration.

Over recent months the Board has worked closely with the Management Team to develop clarity around the organisation's future direction. This has included the identification of five key themes around which key business objectives have been developed. These themes are:

- Social entrepreneurship
- Business Planning for a growth agenda
- Developing as a learning organisation
- Stakeholder engagement
- Good governance

The Board recognises the significant contribution which has been made by the managers and staff of USEL in adapting to the new and more challenging business environment. Considerable work has been undertaken to ensure that the organisation has the right skills, capacity and resources to secure financial sustainability. As well as employing around 100 people directly we also employ, support or train around 1,500 people across Northern Ireland.

The Board continues to take its Corporate Governance responsibilities very seriously and has ensured that all of the necessary risk management arrangements are in place to ensure continued compliance with best practice. Our Corporate Risk Register is regularly reviewed by our Audit and Risk Committee and by the full Board. We have continued to keep our approach to facilities management under review in order to ensure that our premises provide the most appropriate platform for business delivery. As a Non Departmental Public Body, USEL is fully accountable to the Department for Communities. The Board very much appreciates the ongoing support received from Departmental officials in assisting USEL to achieve its goal of supporting our employees and clients to achieve their aspirations and ambitions through employment, enterprise and training.



James Perry Chairman
3 July 2017



Bill Atkinson Accounting Officer
3 July 2017

Audit and Risk Committee Report Chair of Audit and Risk Committee

Chairman's Foreword:

I would like to thank the members of the Audit and Risk Committee for their support, involvement and contribution. I would also like to thank the Company's Head of Corporate Services, and former Finance Manager, who provided secretariat support for the Committee.

Audit and Risk Committee Membership:

The USEL Audit and Risk Committee comprises all the Company's Board members with the exception of the Chair of the Board. The Board members are all independently appointed which ensures a high degree of segregation between the organisation and the Committee governance and challenge function. The members are supported by the Chief Executive and the Company's Head of Corporate Services who attend each meeting.

While the Committee has the utmost confidence in the CEO and Head of Corporate Services, as part of our process it is now our standing protocol that the committee and auditors will meet once per year in the absence of the Chief Executive and Finance Manager. This is to facilitate any direct feedback from the auditors, the NIAO, our internal auditors, and the sponsoring branch departmental representative on any matters which may be compromised due to the attendance of the Senior Management Team.

Terms of Reference:

The Terms of Reference remain:

- To agree the internal and external audit plans for the year
- To receive the internal and external audit reports
- To monitor management response to the internal and external audits as required
- To ensure the appropriate risk management frameworks are in place
- To receive the CEO Audit and Risk Committee report
- To maintain a register of members with appointment dates noted
- To review the financial statements.

Audit and Risk Committee Report (continued)

Committee Meetings:

The Audit and Risk Committee generally meets on the same day, and just prior to, the main Board meeting. The Committee met on three occasions in the year to carry out the functions as described under the Terms of Reference. Attendance at the meetings was as follows:

Name of Member	Record of Attendance
Aidan Bennett (Chair)	3/3
Judith Kelly*	1/2
Gavin Adams	3/3
Trevor Hinds	3/3
Donald Mackay	1/3
Carol Magill**	1/1
Name of Attendee	
Bill Atkinson	3/3
Sarah-Jane Mowbray***	2/2
David Macedo****	2/2

* Judith Kelly's term ended on 31 December 2016

** Carol Magill was appointed on 1 January 2017

*** Sarah-Jane Mowbray was in post from 5 September 2016

**** David Macedo retired on 19 December 2016

Internal Audit Report:

I would like to thank RSM McClure Watters who have continued to carry out our internal audit function into the final year of the contract with due diligence, probity and objectivity.

The Chief Executive and Head of Corporate Services met the internal auditor at the start of the reporting year and agreed a schedule of works for the forthcoming year. This was ratified by the Audit and Risk Committee and the scheme was approved at the November 2016 Audit and Risk Committee meeting.

The internal audit programme for this year included:

Area Reviewed	Assurance Rating	1	2	3	Total Recommendations
IT, Physical Security & Business Continuity	Satisfactory	-	-	-	-
Procurement	Satisfactory	-	2	1	3
Mattress Recycling	Satisfactory	-	2	-	2
Stores / Stock Control	Satisfactory	-	-	2	2
Supported Employment Payroll	Satisfactory	-	2	1	3
Retail	Satisfactory	1	-	2	3
Follow-up	Satisfactory	-	-	-	-
Total		1	6	6	13

Audit and Risk Committee Report (continued)

The overall audit opinion was Satisfactory Assurance over the system of internal control within USEL.

External Audit engagement:

The committee received the draft audit report from NIAO at the meeting held on 29 June 2016. The draft audit report provided an unqualified opinion on the accounts for the year to 31st March 2016. Under the Companies (Public Sector Audit) Order (Northern Ireland) 2008 USEL is subject to a public sector audit by the Comptroller and Auditor General (C&AG).

Risk Management & Fraud Awareness:

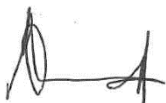
The Senior Management Team is tasked with reporting any frauds or suspected frauds to the Board and Audit and Risk Committee and I can confirm that no such reports were applicable during the 2016 – 2017 financial year.

The risk register is continuously updated and the Audit and Risk Committee reviewed and referenced the register prior to and during each meeting, specifically setting aside time to carry out a full end-to-end review at least once during the year. The Board receives a monthly update on the core risks which face the Company.

Conflicts of interest:

At each meeting the members are invited to declare any known information which could pose a conflict of interest. No such interests were declared during 2016-17. With the ongoing publication of our Directors' interests, and any potential conflicts of interest, the wider risk of any challenge to integrity is mitigated.

I would like to conclude by once again acknowledging the input from the Chief Executive, the Head of Corporate Services and the former Finance Manager, for maintaining a high standard of information flow to the Committee and the proactive approach shown in ensuring the organisation maintains the high standard of governance we have achieved.



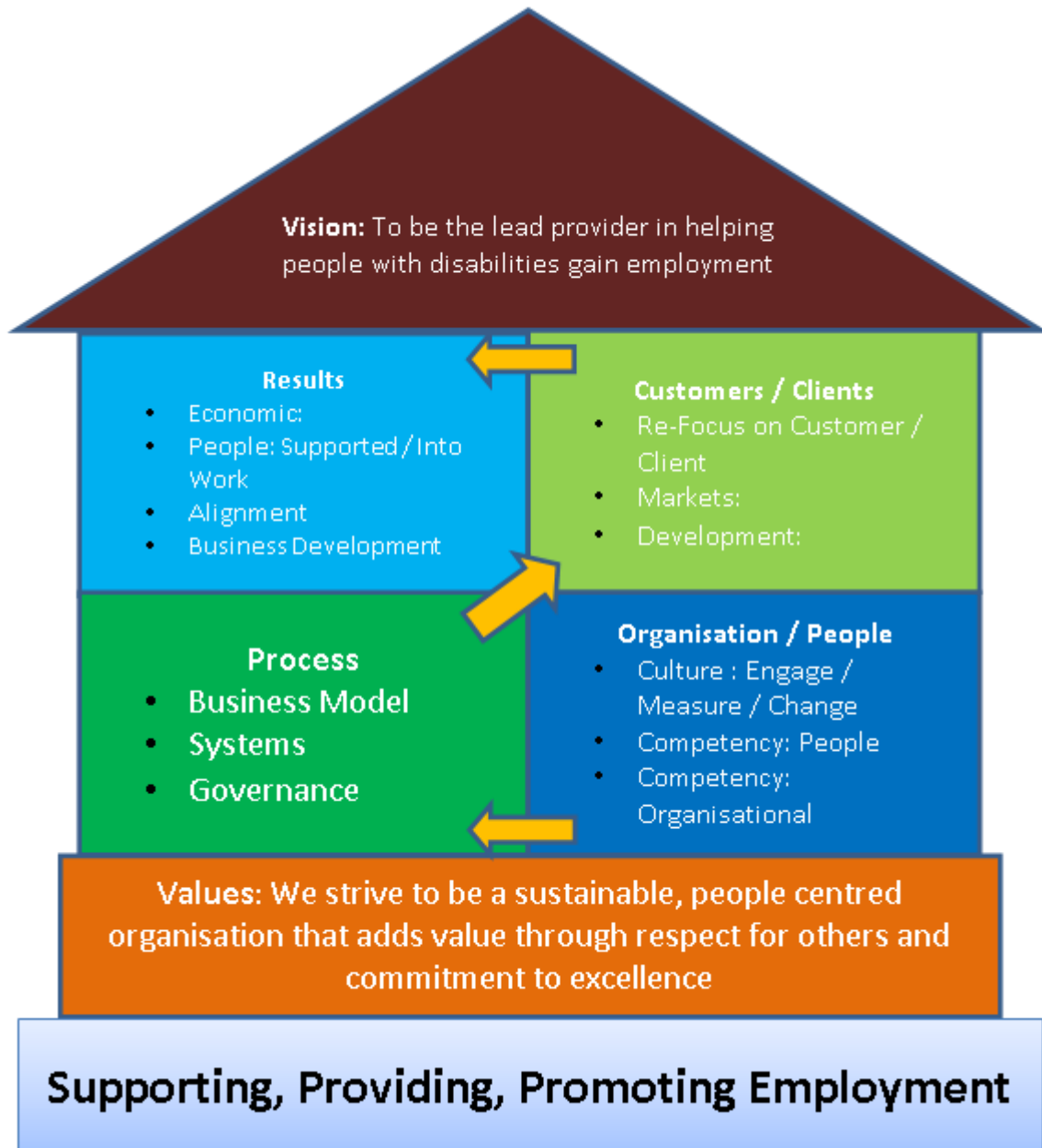
Aidan Bennett
Chair of the Audit and Risk Committee
3 July 2017

Management Commentary (Chief Executive's Report)

This report deals with our activities from 1st April 2016 to 31st March 2017.

Corporate:

This concludes the final year of the Corporate Plan. We continue to embed the core methodology of the balanced score card across the organisation. It cascades the core elements of the metrics system from Results, Customers, Processes and People across the organisation.



As we continue to focus our efforts on growing our business the ability to network and partner effectively is a critical skill. The need to identify strategic partners and partners who have a desire to collaborate is now a key business driver. Our ability to develop sustainable business relationships with our partners across the various geographies including within NI and outside NI on a European stage and across the main sectors in which the Company operates i.e. the private, public and voluntary and community sector, specifically in relation to social enterprise which is now a key element within our business activity.

Management Commentary (Chief Executive's Report) (continued)

Networking:

Social Enterprise NI: We continue to work closely with SENI and are always keen to support the lead within the social enterprise sector.

NIUSE: Northern Ireland Union of Supported Employment: USEL is a member organisation of the Northern Ireland Union of Supported Employment as our main aim is to support people with disabilities and health conditions into and within employment. The USEL team of Employment Services Officers are trained using the Supported Employment Diploma Model provided by the NIUSE and its European counterpart the European Union of Supported Employment.

Business in the Community: While it is true our main interaction with the body is in their Arena network which supports us, in our Environmental actions the main network provides a vehicle for the Company to stay abreast of key business/Social voluntary issues and to connect on key areas of interest.

Northern Ireland Chamber of Commerce: We consciously continued our membership with the Chamber this year to maintain a presence within the business community.

Chief Executives' Forum: This is a public sector sharing network, providing useful insight into how other public entities have moved forward in challenging corporate governance frameworks with positive success.

Delivery of Purpose:

The USEL core focus remains on supporting people who live with disabilities or health related conditions and moving them closer to, into and within employment, training and further education. The USEL logo of "U-Make, U-Work, U-Learn" is provided for through the different sectors of the organisation and this can be seen in the detail outlined in this report.

1: Employment Services Division:

This division comprises of around 25 staff who deliver the programme mix subject to the contract area and the client throughput. The Employment Services team comprises a mixture of client facing personnel known as Employment Services Officers, Employer Engagement Officers supported in a back-office function by administrators, marketing and management functions.

- A. Employment Support Scheme
- B. Workable NI
- C. Support and Training to Realise Individual Development and Employment (STRIDE).
- D. Training for Success & Apprenticeships NI (Specialist Support)

A: Employment Support Scheme

The Employment Support Programme (ES) provides long term support for people with disabilities and health related conditions to enable them to sustain employment and overcome any barriers or difficulties in relation to their disability. The programme is now in its 36th year of operation by the Company. We remain the largest provider of this programme in Northern Ireland with 365 clients remaining active on the programme at the year end. 12 clients left the programme throughout the year.

Management Commentary (Chief Executive's Report) (continued)

B: Workable NI

Within the Workable NI programme USEL supported 299 individuals during 2016-17. With a range of supports including job search, access and delivery of qualifications, one to one support, mentoring and working with families and employers to enable individuals to find and sustain employment.

USEL successfully tendered for this programme and was awarded a 5-year contract commencing in July 2016. The new programme is expected to go from strength to strength. This programme has especially been a positive progression step for a number of our clients through the European Social Fund funded Support and Training to Realise Individual Development and Employment (STRIDE) programme into sustained employment. Some 44 clients left the programme during the year for a variety of reasons including moving into unsupported employment and a number of participants leaving due to retirements.

C: Support and Training to Realise Individual Development and Employment (STRIDE)

2016-17 was the second year of what is a 3-year programme of delivery for this European Social Funded programme. The STRIDE programme allows us to provide supports to 80 participants who are furthest removed from the labour market, economically inactive and who have a range of disabilities or health related conditions. During the year, we started 85 people on to the programme. The main aim of the programme is to move participants closer to employment via training, placements and employment.

D: Training for Success & Apprenticeships NI (Specialist Support)

USEL has been working along with a number of training providers and key partners including colleges to provide specialist support to those people on the Training for Success or Apprenticeships NI programmes who face a range of barriers to their development and training. During the year 2016-17 the Company delivered support to 135 participants mainly on the Training for Success (TfS) programme. The range of supports includes one-to-one mentoring, classroom support and job search activities.

Commercial Products and Services division:

The factory, or commercial products and services division, to give it its full title, operates on a fully commercial basis and delivers four key areas.

1: Mattress and bed manufacture

Following on from 2015/16 when we carried out a review of operational performance when the last quarter of 2015/16 began to show increases in our bedding orders, this change in performance has continued during 2016/17 and resulted in a 250% increase in the number of bedding units that USEL produced. We have identified several new market sectors and as a result a number of new customers. The objective for 2017/18 is to continue to increase our sales level and market share in line with our corporate strategy.

The hard work delivered by the sales and production teams during 2016/17 has secured an order book that has allowed USEL to grow our customer base within our selected markets.

Management Commentary (Chief Executive's Report) (continued)

Mattress recycling followed a similar pattern to the bed manufacture following a review of the commercial model and a more structured approach adapted to engaging potential customers we have seen a positive shift in not only the financial return of this work stream but also the appetite for new market opportunities within a circular economy model.

Sustainability Reporting:

The mattress recycling team has had a very successful 2016/17 with a substantial increase in the number of mattresses being recycled and as a result diverted from landfill sites. We recycled over 13,000 mattresses and we are targeting 24,000 for 2017/18. We have been successful in securing contracts with several Councils across Northern Ireland and we are in negotiations with a number of others. During the year, we were also successful in securing deals with some large retailers operating in Northern Ireland, to uplift and recycle the mattresses returned from their customers.

2: Industrial sewing

The industrial sewing division performed just slightly above budget at +0.50%. This is a very positive result as last year it finished 22% behind budget. This is a result of a concentrated sales strategy from the sales team within USEL with emphasis on targeting new customers and markets. This division within the Company is already looking very positive for 2017/18 with a good strong order book and the strategy being to spread to a wider customer base.

During 2016/17, we continued to work closely with customers across the Fire, Police and Ambulance services not only in Northern Ireland but other services across the UK and Ireland e.g London Fire Brigade, Strathclyde Fire and Rescue and in conjunction with this we have developed several additional customers within this sector.

3: Factored Goods

The factored goods division delivered 1.66% over budget even after a very successful 2015/16. We performed above forecast on the Velda products and continue to service the two main accounts for this product, BedWorld Belfast and Belmont Furnishings, Belfast. We were successful through the year with a number of tenders to supply furniture within the social/residential care home sector. We sourced and procured the required items through our chain of external supply partners. We will continue to target this area of factored goods during the next financial year, targeting similar charities and organisations that can benefit from our ability to source and procure specialist contract grade items at competitive rates.

We are currently in negotiations with two major manufactures/on-line retailers for USEL to deliver their production requirements and this should come to fruition during the early part of 2017/18.

We continue to deliver a small volume of embroidered apparel items for the Fire Services at the two Belfast airports.

Management Commentary (Chief Executive's Report) (continued)

Aspire Training

The primary emphasis for this department, which operates under the employment services division at present, is the delivery of accredited and non-accredited training courses to participants on our Employment Programmes. This year Aspire Training delivered a range of accredited qualifications across Northern Ireland including:

- Health and Safety in the Workplace
- Food Safety in Catering
- Progression into Employment
- Vocational Skills
- Principles of Manual Handling
- City and Guilds IT users.

Added to which were over 150 non accredited outcomes for mentoring in the workplace and pre-employment skills such as:

- CV preparation
- job applications
- interview skills
- confidence and motivation
- travel training

While the majority of these were linked to our current programme's profile requirements we also delivered an additional 50 courses in areas such as Mentoring in the workplace, Basic Food Hygiene, Sage accounts, Health and Safety, Web Development, IT Maintenance, Search Engine Optimisation and Microsoft Excel, Word, PowerPoint and Outlook.

4: ISO 9001 (2008 series)

The Company holds the quality of products and service delivery close to the core of the business; we have had two external audits again this year and can confirm that we did not receive any non-conformances.

5: DDO (Disability Discrimination Order)

As a public entity, the Company strives to achieve the highest standard of compliance in all matters. Recognising that everything we are as an entity is captured in the two main duties of the DDO we continue to develop our responses to the requirement.

6: Section 75 Duties

As an NDPB, USEL has a requirement to comply with the Northern Ireland Act Section 75 Statutory Duties and produce an Equality Scheme outlining the processes the Company will follow to ensure its obligations are met. The Company maintains a firm commitment to meeting its Section 75 obligations. The HR Manager has responsibility for the compliance and adherence with the full support of the Board and Senior Management Team.

Management Commentary (Chief Executive's Report) (continued)

7: Auditor's Remuneration

The Auditor's Remuneration is stated in Note 9 to the Financial Statements.

A handwritten signature in blue ink, appearing to be 'BA', is located below the text.

Bill Atkinson
Chief Executive and Accounting Officer
3 July 2017

Strategic Report

USEL operates a social enterprise business model. The core aspect of this is to deliver the services to our client group utilising the best commercial practices to maximise the public money invested in the company. In doing so, the company while partially funded through grant in aid operates the two division model as before, namely Manufacturing and Employment Services.

The manufacturing division operates from the factory on our Cambrai Street site. Approximately 70% of employees working in the factory live with a disability or health condition. Factory products are converted from raw material to finished products. All products are produced to a high standard and are compliant with relevant regulations. Products are sold through a wide range of sources, with all margin generated being reinvested into the factory model, thereby reducing the call on grant in aid. During 2016-17, USEL's first factory shop was opened on Cambrai Street site, allowing sales directly to end users.

Employment Services division delivers a supported employment model to over 1,500 clients across Northern Ireland. Employment Support contracts are gained by open competition. During 2016-17, USEL successfully tendered for the new Workable NI programme.

The factory model delivers direct employment to 45 people, approximately 70% of whom have a disability or health issue. The Employment Services model delivers to clients who work outside the Company in various employment activities, 100% of whom will have a disability, health condition or a significant societal barrier to employment.

Progress against pre-determined targets and objectives is monitored each month, and reported to the Board, using key performance indicators.

As a social enterprise, USEL is subject to the standard risks facing any business, such as sourcing materials cost effectively, competition and managing cash flow accordingly. Our products must be able to compete within the market place. The services delivered must deliver client expectations and comply with predetermined outcome standards. This ensures we maximise the benefit to our clients and we produce value for money for the investment through the contract by government.

Also, as an NDPB, USEL must comply with the government requirements which arise from that status. While it is fair to say these do not always neatly coalesce, the pragmatic management by our sponsoring department ensures they are applied proportionately and appropriately.

The Company takes its responsibility as a corporate citizen seriously. We attempt to ensure our employees, clients, service users and customers are fairly treated and respected as articulated in our new Values statement: "We strive to be a people centred, sustainable organisation that adds value through respect for others and commitment to excellence". We ensure our impact on our community locally and nationally is positive and our environmental footprint is reduced where possible.

As an organisation committed to the inclusion of people with disabilities and health issues in employment, where the individual can exercise their choice to work in a suitable environment, we comply and indeed embody many of the attributes of the Section 75 requirements and the Disability Discrimination Order. This places the Company in a unique place in Northern Ireland's society.

Strategic Report (continued)

The Company applies the best principles of good governance with a corporate governance structure of a Board of Non Executive directors appointed by the Minister for Employment and Learning (now Department for Communities) following a public appointment process. Headed by a very competent Chair, the Board has two sub groupings - the Audit and Risk Committee and the Health and Safety Committee. The Committee's ensure that the Senior Management Team is supported and challenged in equal measure.

Each Director receives adequate training by recognised public training entities to ensure they meet their compliance requirements. The Chair meets the Director of the Department twice each year with an annual review being part of that meeting process. The Chair meets each Director annually to carry out a review of performance. The Board reviews its effectiveness annually and regularly brings in a facilitator and trainer to assist in that and ensure an external perspective is presented to the directors by way of a sanity check.

Annually the Board reviews the performance of the CEO through the delivery of the Corporate and Annual Business Plan. The Board reviews monthly the performance of the company and the senior team attend all Board meetings to provide a direct account for their business area.

The Board meets each line manager and department head at least once per annum to allow the Board to receive detailed information in respect to the individual business area. This process ensures full accountability and transparency in their oversight of the company as it also provides the Board with a breadth and depth of data which is only possible due to the relative scale of the Company.

The Company sets a budget annually and for the year 2016-17 a surplus budget was agreed, measured and monitored monthly, by both management and Board. The outturn was significantly better than predicted due to the efforts of the management team in detailed management and entrepreneurial working.

By order of the Board



Bill Atkinson
Chief Executive and Accounting Officer
3 July 2017

Remuneration and Staff Report

a) Remuneration Report

Remuneration Policy

The Non-Executive Directors hold appointments which last for three years and the Department for Communities Minister has the option of re-appointing for a further three years after consideration of a performance assessment. The Chief Executive is appointed by the Board of Directors and holds an open ended contract. The remuneration of the Directors is directed by the Department for Communities. The remuneration of the Chief Executive is agreed by the Chairman of the Board. All other remunerations are decided by the Chief Executive. The overall annual pay remit is approved by the Department for Communities and the Department of Finance. The staff remuneration policy underwent a modification to reduce the number of spine points available. The change is phased over a period of 3 years following equal pay advice to the Company. This change was approved by the sponsoring branch.

Details of remunerations (which are subject to audit) are set out below:

	2016-17				2015-16			
	Salary £'000	Benefit in kind £'000	Pension Benefit £'000	Total £'000	Salary £'000	Benefit in kind £'000	Pension Benefit £'000	Total £'000
J Perry	5-10	-	-	5-10	5-10	-	-	5-10
A Bennett	0-5	-	-	0-5	0-5	-	-	0-5
G Adams	0-5	-	-	0-5	0-5	-	-	0-5
J Kelly	0-5	-	-	0-5	0-5	-	-	0-5
T Hinds	0-5	-	-	0-5	0-5	-	-	0-5
D Mackay	0-5	-	-	0-5	0-5	-	-	0-5
C Magill	0-5	-	-	0-5	-	-	-	-
S Humphries*	-	-	-	-	35-40	0-5	10-15	45-60
J McCall**	-	-	-	-	10-15	-	-	10-15
W Atkinson***	60-65	-	-	60-65	15-20	-	-	15-20

* Resigned 30 September 2015

** Appointed 28 September 2015, resigned 20 December 2015

*** Appointed 04 January 2016

Remuneration and Staff Report (continued)

Highest paid official £63,927 (2015-16 restated: £62,551)

Total remuneration ratio 4.5 (2015-16 restated: 4.9)

“Salary” includes gross salary; there were no bonuses paid; 2015-16 benefits in kind refer to an insurance premium which is subject to UK taxation.

The median salary during the year was £14,303 (2015-16: £12,727)

The salary range for staff during the year was £684 - £63,927 (2015-16 restated: £7,343 - £62,551)

The above statistics relate to staff with a contract of employment with USEL. The statistics do not include those individuals on the Employment Support programme.

The Company operates two pension schemes. The first is a defined benefits scheme which is now closed to new entrants; the scheme provides benefits on a “final salary” basis at a normal retirement age of 65. Benefits accrue at the rate of 1/60th of pensionable salary for each year of service up to 30 June 2013 and at the rate of 1/80th thereafter. The contributions to the scheme are determined by a qualified actuary based on triennial valuations using the Entry Age Normal Method and at present members pay contributions of 8% of pensionable earnings and the company pays 22.4%. Pensions increase annually in line with the Retail Prices Index up to a maximum of 5%. On death, pensions are payable to a surviving spouse at a rate of half the member’s pension. On death in service, the scheme pays a lump sum benefit of three times pensionable pay and a spouse’s pension equal to one half the member’s prospective pension.

The second scheme which was established to allow the Company to comply with the auto enrollment legislation as of February 2014, is a defined contributions scheme operated externally by the NOW pensions service. This was approved by the sponsoring department following consultation with the Department of Finance in 2014. There are two levels of contribution, the minimum as determined by current legislation and an enhanced level of 4% employee and 8% employer.

Mr S Humphries is no longer a member of the USEL pension scheme. As at 31 March 2016, Mr S Humphries had accrued a pension of £10,941.

b) Staff Report

Details of staff costs (which are subject to audit) are set out below

	2016-17	2015-16
	£	£
Wages and salaries	4,972,035	4,870,443
Redundancy payments	246,133	-
Social security costs	246,227	172,957
Other pension costs	222,126	502,789
	5,686,521	5,546,189

The above 2016-17 balance includes £3,581,802 (2015-16: £3,479,882) of staff costs relating to participants on the Employment Support programme.

Remuneration and Staff Report (continued)

The average number of full-time equivalent persons during the year was as follows:

	2016-17	2015-16
Average number of full-time equivalent persons employed:	Number	Number
Management and administration	50	38
Production distribution and sales	41	55
Employment support*	374	389
	465	482

* Employment support participants do not have a contract of employment with USEL. All 91 employees, disclosed above, had a permanent contract of employment.

Staff Composition

The table provides a breakdown of the number of persons employed by the Company, as at 31 March 2017, by gender for each of the following groups:

- Directors – defined as members of the Board
- Senior Managers – includes Chief Executive
- Other Employees – all other employees

Details of Fair Pay analysis (which are subject to audit) are set out below:

	As at 31 March 2017			As at 31 March 2016		
	Male	Female	Total	Male	Female	Total
Directors	5	1	6	5	1	6
Senior Managers	2	1	3	4	-	4
Other Employees	289	167	456	298	174	472
Total	296	169	465	307	175	482

Reporting of Civil Service and other compensation schemes – exit packages

Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme (Northern Ireland), a statutory scheme made under the Superannuation (Northern Ireland) Order 1972. Exit costs are accounted for in full in the year of departure.

Remuneration and Staff Report (continued)

Details of Exit Package Costs (which are subject to audit) are set out below:

Exit package cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band
<£10,000	-	1	1
£10,000-£25,000	-	3	3
£25,000-£50,000	1	1	2
£50,000-£100,000	1	1	2
£100,000-£150,000	-	-	-
£150,000-£200,000	-	-	-
Total number of exit packages	2	6	8
Total resource cost	£86,605	£159,528	£246,133

Sickness Absence

The sickness absence rate for the year was 3.5% (2015-16: 5.8%).

Off-Payroll Engagements

The Company had no 'off-payroll' engagements at a cost of over £58,200 per annum in place during 31 March 2017.

Consultancy and Temporary Staff

During the year to 31 March 2017, the Company did not spend any resource on external consultancy or temporary staff.



Bill Atkinson
Chief Executive and Accounting Officer
3 July 2017

Governance Statement

Scope of Responsibility

As Accounting Officer, I have responsibility for ensuring and maintaining a sound system of internal control that supports the achievement of USEL policies, aims and objectives, whilst safeguarding the public funds and company assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Managing Public Money Northern Ireland. In this context, USEL's Financial Memorandum and Management Statement sets out the accountability arrangements.

Purpose

The Governance Statement is designed as a synopsis document covering the governance frameworks, their delegated requirements and the effectiveness of our system of control and governance.

We continue to view risk within the systems of internal control as being managed at a reasonable level rather than to eliminate all risk, as this would lead to failure to achieve policies, aims and objectives. USEL, whilst an NDPB, operates as a commercial entity delivering a social enterprise business model in pursuit of the core aims and objectives of the company.

My governance statement is issued on the basis of an on-going process, rather than a snapshot in time. It is given within the parameters of a system designed to identify and prioritise the risks to the achievement of departmental policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of governance has been in place in USEL for the year ended 31 March 2017 and up to the date of approval of the annual report and accounts, and accords with DoF guidance.

Capacity to Handle Risk

The Board undertook change to its membership during this financial year. Judith Kelly's term ceased on 31 December 2016. Following a public appointment process, Carol Magill was appointed from 1 January 2017.

The Audit and Risk Committee met three times in the year and the risk register was formally presented following update. On that basis, as Accounting Officer, I receive a high degree of comfort that from Board through to managers each individual with delegated authority is operating from a frame of reference which permits the risk management of the organisation to be handled appropriately.

The Company's values are based in the provision of paid, supported employment for people with disabilities and health conditions in Northern Ireland. The Company operates on strict commercial business lines with each manager held fully responsible for achieving his/her budget and targets. The key performance indicator system is utilised to ensure budgetary control and expenditure are controlled and met.

Governance Statement (continued)

The Director with responsibility for USEL within the Department for Communities ('DfC'), regularly meets the USEL Chairman. The DfC Director, with the Head of the Sponsoring Branch, regularly meet with the Board. The Sponsoring Branch hold monthly, formal meetings with the Chief Executive and the Head of Corporate Services.

The Senior Management Team communicate information with the branch on a regular basis from operational matters to corporate matters, usually by e-mail or telephone contact. Other ad-hoc meetings are arranged as and when required.

The Governance Framework

Accounting Officer:

As Accounting Officer I discharge my responsibility through a system that is commensurate with the size and nature of the Company. I meet the Accounting Officer of our sponsoring department annually to discuss the key business issues. At that meeting, I meet the Director of the DfC and the Head of the Sponsoring Branch. This is further augmented by on a monthly basis with the business meeting between the sponsoring branch, the Chief Executive and Head of Corporate Services.

Board:

USEL comprises a Board of six directors, who are appointed following a public appointments process. The Directors appoint one member to act as Finance Director, who is also the chair of the Audit and Risk Committee. One of the Directors acts as Director with portfolio for Health and Safety.

Directors are provided with adequate training in respect to compliance with Codes of Practice, such as HM Treasury Code of Good Practice 2005, this is encapsulated in the terms of reference and code of conduct for Board members provided to each Director upon commencement. Directors also receive a copy of Managing Public Money NI.

The Board meets 11 times per year for normal Board meetings and at other times throughout the year as required. The Chief Executive provides the Board with a full management commentary. Senior managers contribute a written commentary from their business area within the Board pack also. We meet as a Board and whole management team annually for a full day to review progress, hear from line managers and review Corporate Plan alignment.

The Company's Head of Corporate Services provides the Board with performance against budget, with detailed disclosure of all financial matters relevant to the Company at Board level. The monthly Board pack provides the Board with full disclosure on all matters within the organisation. The Board pack contains key finance, operational and governance information on which the Directors remain fully briefed.

The Senior Team provide the Board with direct reports monthly showing the performance of the Division for which they are responsible, detailing actual against budgets and targets with a commentary. The Senior Team attends the Board to answer directly to the Board for the areas of operational control. The Board noted in its annual review that the data provided to them is comprehensive, sufficiently detailed, accurate and timely. Changes to reporting, enhancing the quality of information to the Board, are implemented promptly, such as a request for financial forecasting in 2016-17.

Governance Statement (continued)

Board Meetings:

To ensure effective use of Board time, an Agenda and supporting papers are circulated one week in advance of meetings, outlining key topics for discussion. This allows the Board sufficient time to discharge its duties effectively. The Board remains focussed on prime issues regarding the Company and providing opportunity to explore key issues monthly. During the year the Board set aside other days to engage with the whole management team and to deal with specific topic areas outside the normal transaction business of the Board.

A new standing item was added to the Agenda during 2016-17, in relation to USEL policies and procedures. Each month, a minimum of two new and/or updated policies are presented to Board for review and approval.

Attendance of Directors and Senior Managers at Board meetings:

Name of Attendee	Record of Attendance
Jim Perry (Chair)	11/11
Aidan Bennett	10/11
Judith Kelly*	7/8
Gavin Adams	10/11
Trevor Hinds	10/11
Donald Mackay	9/11
Carol Magill**	3/3
Bill Atkinson	11/11
Arthur Savage	9/11
Sarah-Jane Mowbray***	7/7
David Macedo****	7/8
Terry Fuller*****	4/8

* Judith Kelly's term ended on 31 December 2016

** Carol Magill was appointed on 1 January 2017

*** Sarah-Jane Mowbray was appointed on 5 September 2016 and took position of Company Secretary, from 19 December 2016

**** David Macedo retired on 19 December 2016

***** Terry Fuller left the organisation following a Voluntary Exit Scheme, on 16 December 2016

Clarity of roles- review of committee structure:

The Board recognise that the Company is a small entity and therefore the Board and Committee structure should be commensurate with the need of the entity. Only one sub group has been set up outside of the Audit and Risk Committee i.e. the Health and Safety Committee. Membership of the Health and Safety Committee includes a non-executive Director, the CEO and two members of appropriately qualified staff.

Board Effectiveness:

There are appropriate procedures in place to ensure appointment of new Board members, as demonstrated during 2016-17 with the appointment of Ms C Magill on 1 January 2017.

Governance Statement (continued)

The Board conducted a formal and rigorous evaluation of its 2016-17 performance. The Board was generally satisfied with its performance, in areas such as performance measurement, relationships with key stakeholders and risk management. One area for improvement identified by the Board was a benchmarking exercise, against similar organisations.

The Chair of the Board completed a performance review for each Board member. The performance of the Chair was reviewed by a Senior Civil Servant in the DfC.

The Company Secretary, a qualified accountant, provides secretariat support to the Board. It is the responsibility of the Company Secretary to ensure an appropriate Agenda and supporting papers are circulated to the Board in a timely manner; that Board decisions are recorded accurately and action points are followed up; to challenge the quality of, and information in, the Board papers etc.

At the start of each Board meeting, the Chair requires all Board members to declare all conflicts, perceived or actual. This is contained within the minutes of the meeting. One potential conflict was declared by one Board member in relation to an organisation she is associated with, potentially bidding for the same employment services contract. It was noted in the minutes. The conflict never materialised.

Audit and Risk Committee:

Directors of USEL, with the exception of the full Board chair, comprise the Audit and Risk Committee which meets three times per year.

The Audit and Risk Committee meeting is attended by the Chief Executive and Head of Corporate Services along with external Audit representation from the NIAO, the sponsoring branch representative and the Internal Audit service provider representative as required.

Audit and Risk Committee members receive appointment letters and terms of reference aligned to HM Treasury guidelines. The committee meets three times per annum as per best practice guidelines.

In 2016-17 the attendance of members at the Audit and Risk Committee was as follows:

Name of Attendee	Record of Attendance
Aidan Bennett (Chair)	3/3
Judith Kelly*	1/2
Gavin Adams	3/3
Trevor Hinds	3/3
Donald Mackay	1/3
Carol Magill**	1/1
Bill Atkinson	3/3
Sarah-Jane Mowbray***	2/2
David Macedo****	2/2

Governance Statement (continued)

* Judith Kelly's term ended on 31 December 2016

** Carol Magill was appointed on 1 January 2017

*** Sarah-Jane Mowbray was appointed on 5 September 2016 and took position of Company Secretary, from 19 December 2016

**** David Macedo retired on 19 December 2016

Pension Trustees:

The company now operates a dual pension provision.

1: Defined Benefits System: This scheme is now closed to new entrants as of 31st January 2014. During 2015-16, the Company worked with Department of Finance to ensure the Company's scheme was compliant with the wider public sector pension reforms. The trustee Board comprises five members, two elected from pension fund members and three appointed by the Company. The Chair of the Board acts as the Chair of the Pension Trustee Board. The trustees meet at least on two occasions per annum with other ad-hoc meetings as required to discharge the duties of a trustee.

The role of pension trustee is a challenging and onerous one and requires high levels of pensions regulator mandated training equating to a minimum of 30 hours annually.

The company continues to deliver and meet the deficit recovery scheme as required and agreed by the Pensions Regulator.

2: Defined Contribution Scheme: The Company selected NOW pensions as the provider of choice for this new auto-enrolment vehicle. It is governed externally and because it is proprietary in nature it does not require an internal pension trustee group to be established.

Risk Management:

The systems utilised by Ulster Supported Employment Limited have a proven track record to identify, quantify, action and report on risk identified. The Company operates a system where a person has ultimate responsibility and accountability for managing the individual risk.

While the risk register is formally reviewed prior to the Audit and Risk Committee, with any revisions made following discussions at that meeting, the register is kept updated throughout the year. The Management Team identify risks at each monthly meeting, where appropriate these risks are either subsumed into the main risk register or established as a separate line entry on the register for deeper discussion and management action.

Through this process the Board and Audit and Risk Committee have agreed a low to medium risk appetite overall for the organisation. That said, due to the commercial nature of the Company there are times when the risk appetite for a specific element is higher as commercial risk is a day to day feature of this entity. The Board are content that such risks are mitigated as fully as possible and well managed on a day to day and longer term basis.

There are a number of key risks which an organisation operating commercially face. We have identified a financial risk in relation to the Executive not being formed, as this may impact upon

the level of grant in aid funding, plus match funding on our European Social Fund projects. The pension liability, while a risk, is subject to a recovery plan which has been accepted by the pension regulator. Therefore we consider there are sufficient mitigating controls in place to reduce the risk. Each risk has a management plan and to date these plans have successfully navigated the company through the economic landscape in which we operate.

I use other areas of input to allow me to provide the Audit and Risk Committee, the Board, the Department and the Accounting Officer of our sponsoring department with assurances. These include but are not limited to:

- ISO 9001-2008 Quality Management system 6 monthly external audit
- Internal Audit findings and recommendations
- Dear Accounting Officer / Dear Finance Officer letters and guidance passed to me by the Department
- Public Sector training for areas of change
- Sage accounts presentation versus the Key Performance Indicator process ultimately validated by External auditors
- External auditors reports for programmes delivered on behalf of Department for Communities (formerly Department for Employment and Learning)
- External auditors reports for European Social Fund funded programmes
- External audits on behalf of BS8555 environmental management
- External reviews of the Company's Health and Safety and Fire risk
- External reviews and assessments of our insurance risks by insurance assessors
- Participation in the National Fraud Initiative
- Investors in People assessment
- EFQM assessment

These audits and reviews have all provided positive assurance of the control mechanisms within the Company for the year 2016-2017. No material issues were noted, nor were any significant risks or fraud identified.

Following an internal audit review in 2016-2017, we received an overall satisfactory assurance on all levels tested, details of which are included in the Audit and Risk Committee Chair's report. On an ongoing basis I have a system of control which permits me to annually meet the Permanent Secretary in his capacity of Accounting Officer, and provide a six monthly assurance statement that the organisation is managed and run appropriately and is fully compliant.

On the issue of Information Assurance I can confirm that Ulster Supported Employment Limited continues to enforce the policies set out to protect data. These include:

- * Updating servers and Firewalls to meet latest security protocols.
- * Back up procedures to ensure data is protected and stored electronically
- * Management of data in manual format to protect it and safeguard the data
- * Publishing a Data Protection Policy procedure for all staff
- * Enforcing the company policies on ICT equipment

Throughout the year 1st April 2016 – 31st March 2017 I can confirm that there were no data breaches.

Governance Statement (continued)

Ulster Supported Employment Ltd - charitable status

USEL is currently working with the Department for Communities governance division through the sponsoring branch to review the issues around the Company applying for charitable status. The Charities Commission have placed USEL in special circumstances while the process of alignment is carried out. While we have no date for a conclusion, financially the successful application and acceptance of the Company is critical.

Review of Effectiveness

As Accounting Officer, my review of the effectiveness of the system of internal control is informed by the work of the internal auditors, the Senior Management Team within the Department who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. The Board and the Audit and Risk Committee address weaknesses and ensure continuous improvement of the system is in place and advise me on the implications of the result of review of the effectiveness of the system of internal control.

The full engagement of the Audit and Risk Committee and Directors in all matters through the open and transparent nature of information passage to Board and the sponsoring branch allows me to denote the effectiveness of our governance arrangements.

Compliance with our published codes of practice and guides on the Board and Audit and Risk Committee was achieved, which permits me the opportunity to present and endorse this governance statement, with no issues to note.

Although the Statement of Financial Position shows the Company to have a net liability position, I do not consider there is a risk of the Company not being a going concern. Included on the statement of financial position is an IAS 19 liability in respect of the USEL defined benefit pension scheme totalling £7,742,000. A 12-year recovery plan was agreed with the Trustees and Scheme Actuary on completion of the 2015 triennial valuation to address the latest funding deficit. Cash flow forecasts have been prepared by management which support the Company's ability to meet its liabilities, including deficit funding contributions, as they fall due for payment for at least twelve months from the date of authorisation of these financial statements. The cash flows assume that the sponsoring department, DfC, will continue to provide grant in aid funding and USEL management have no reason to believe this will not be the case. Management have also received confirmation from DfC that it is not their intention to call the outstanding loan balance of £2,337,687 for payment until such times as USEL have adequate cash funds to settle. On this basis, I consider the Company's financial position at the year end to be satisfactory.



B Atkinson
Chief Executive and Accounting Officer
3 July 2017

Statement of Accounting Officer's Responsibilities

The Department for Communities has directed USEL to prepare for each financial year and the use of resources by the department during the year a statement of accounts in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of USEL and its net resource outturn, application of resources, changes in taxpayers' equity and cash flows for the financial year.

In preparing the accounts, the Accounting officer is required to comply with the requirements of the *Government Financial Reporting Manual* and in particular to:

- observe the accounts direction issued by the Department for Communities including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the financial reports; and
- prepare the accounts on a going concern basis.

The Department for Communities has designated the Chief Executive as Accounting Officer of USEL. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding USEL's assets, are set out in *Managing Public Money Northern Ireland* published by HM Treasury via the Department of Finance.



B Atkinson
Chief Executive and Accounting Officer
3 July 2017

ULSTER SUPPORTED EMPLOYMENT LIMITED

THE CERTIFICATE OF THE COMPTROLLER AND AUDITOR GENERAL TO THE MEMBERS OF ULSTER SUPPORTED EMPLOYMENT LIMITED

I certify that I have audited the financial statements of the Ulster Supported Employment Limited for the year ended 31 March 2017 under the Companies (Public Sector Audit) Order (Northern Ireland) 2013. The financial statements comprise the Statement of Comprehensive Net Expenditure, Statement of Financial Position, Statement of Cash Flows, Statement of Changes in Taxpayers' Equity and the related notes. These financial statements have been prepared under the accounting policies set out within them. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards as adopted by the European Union. I have also audited the information in the Remuneration and Staff Report that is described in that report as having been audited.

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Companies (Public Sector Audit) Order (Northern Ireland) 2013. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by the Assembly and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on regularity

In my opinion, in all material respects the expenditure and income recorded in the financial statements have been applied to the purposes intended by the Assembly and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on financial statements

In my opinion the financial statements:

- give a true and fair view of the state of the Ulster Supported Employment Limited's affairs as at 31 March 2017 and of its net expenditure for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
- have been prepared in accordance with the Companies Act 2006.

Opinion on other matters

In my opinion:

- the part of the Remuneration and Staff Report to be audited has been properly prepared in accordance with the Government Financial Reporting Manual; and
- the information given in the Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

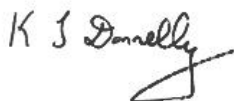
Matters on which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with Department of Finance's guidance.

Report

I have no observations to make on these financial statements.



*KJ Donnelly
Comptroller and Auditor General
Northern Ireland Audit Office
106 University Street
Belfast
BT7 1EU*

5th July 2017

**Statement of Comprehensive Net Expenditure
for the year ended 31 March 2017**

	Note	2017 £	Restated 2016 £
Income from sale of goods and services	3	6,243,156	5,747,663
Other operating income		232,088	11,784
Total operating income		6,475,244	5,759,447
Staff Costs	4	(5,686,521)	(5,546,189)
Depreciation and amortisation	10	(45,177)	(38,990)
Other operating expenditure	5	(1,224,255)	(819,757)
Total operating expenditure		(6,955,953)	(6,404,936)
Net Operating Expenditure		(480,709)	(645,489)
Pension finance costs	7	(98,000)	(191,000)
Pension administrative expenses	22	(90,000)	(90,000)
Finance income	6	491	463
Net Expenditure for the year		(668,218)	(926,026)
Other Comprehensive Net Expenditure			
Items that will not be reclassified to net operating costs:			
Actuarial (loss)/gain on pension scheme liabilities	22	(5,224,000)	2,785,000
Net gain on revaluation of Property Plant and Equipment	18	9,000	323,000
Comprehensive Net Expenditure for the year		(5,883,218)	2,181,974

The notes on pages 40 to 57 form part of these financial statements.

Statement of Financial Position as at 31 March 2017

		2017	Restated 2016	Restated 2015
	Note	£	£	£
Non-Current Assets:				
Property, plant and equipment	10a	1,592,979	1,485,205	1,186,683
Intangible assets	10c	3,107	-	-
Investment Property	11	90,000	-	-
Total non-current assets		1,686,086	1,485,205	1,186,683
Current assets				
Inventories	12	206,083	140,474	125,776
Trade and other receivables	13	686,929	699,139	1,188,086
Cash and cash equivalents	14	385,151	293,310	50
Total current assets		1,278,163	1,132,923	1,313,912
Total assets		2,964,249	2,618,128	2,500,595
Current liabilities				
Trade and other payables	15a	(901,524)	(727,943)	(952,153)
Loan from Department	15b	(2,337,687)	(2,337,687)	(2,337,687)
Total assets less current liabilities		(274,962)	(447,502)	(789,245)
Non-current liabilities				
Pension liabilities	22	(7,742,000)	(2,639,000)	(5,212,000)
Total assets less total liabilities		(8,016,962)	(3,086,502)	(6,001,245)
Taxpayers' equity and other reserves				
General Reserve	17	(8,348,962)	(3,409,502)	(6,001,245)
Revaluation reserve	18	332,000	323,000	-
Total equity		(8,016,962)	(3,086,502)	(6,001,245)

In the view of the Board an exemption from the audit requirements of Part 16 of the Companies Act 2006 is available under section 482 of that Act, since the company meets the Department of Finance's definition of a non-profit-making company and is subject to a public sector audit under the Companies (Public Sector Audit) Order (Northern Ireland) 2013, being an order issued under Article 5(3) of the Audit and Accountability (Northern Ireland) Order 2003. The Board therefore claims this exemption.

The financial statements on pages 36 to 57 were approved by the Board on 3 July 2017 and were signed on its behalf by:




J Perry **Date**
Chairman **3 July 2017**

B Atkinson
Accounting Officer

Date
3 July 2017

Registration No. NI 005192

The notes on pages 40 to 57 form part of these financial statements.

**Statement of Cash Flows
for the year ended 31 March 2017**

	Note	2017 £	Restated 2016 £
Cash flows from operating activities			
Net Operating Cost after interest		(668,218)	(926,026)
Adjustments for non-cash transactions			
Depreciation and amortisation	10	45,177	38,990
Pension interest and admin charge		188,000	281,000
Difference between pension charge and cash contributions		(309,000)	(69,000)
(Increase) / decrease in Inventories	12	(65,609)	(14,698)
(Increase) / decrease in trade and other receivables	13	12,210	488,947
Increase / (decrease) in Trade and other payables	15a	86,333	(65,823)
Net cash outflow from operating activities		(711,107)	(266,610)
Cash flows from investing activities			
Purchase of property, plant and equipment	10	(146,540)	(14,512)
Purchase of intangible assets	10	(3,270)	
Net cash outflows from investing activities		(149,810)	(14,512)
Cash flows from financing activities			
Grant from sponsoring department	17	952,758	732,769
Net financing		952,758	732,769
Net increase in cash and cash equivalents in the period	14	91,841	451,647
Cash and cash equivalents at the beginning of the period		293,310	(158,337)
Cash and cash equivalents at the end of the period	14	385,151	293,310

The notes on pages 40 to 57 form part of these financial statements.

**Statement of Changes in Taxpayers' Equity
for the year ended 31 March 2017**

	General Fund	General Reserve	Total General Reserve	Revaluation Reserve	Total Reserves
	£	£	£	£	£
Balance at 1 April 2015 restated	(6,011,245)	10,000	(6,001,245)	-	(6,001,245)
IAS 19 actuarial gain	2,785,000	-	2,785,000	-	2,785,000
Grant from sponsoring department	732,769	-	732,769	-	732,769
Revaluation of property	-	-	-	323,000	323,000
Comprehensive Net Expenditure for the year	(926,026)	-	(926,026)	-	(926,026)
Balance at 31 March 2016 restated	(3,419,502)	10,000	(3,409,502)	323,000	(3,086,502)
	General Fund	General Reserve	Total General Reserve	Revaluation Reserve	Total Reserves
	£	£	£	£	£
Balance at 1 April 2016 restated	(3,419,502)	10,000	(3,409,502)	323,000	(3,086,502)
IAS 19 actuarial loss	(5,224,000)	-	(5,224,000)	-	(5,224,000)
Transfer between reserves	10,000	(10,000)	-	-	-
Grant from sponsoring department	952,758	-	952,758	-	952,758
Revaluation of property	-	-	-	9,000	9,000
Comprehensive Net Expenditure for the year	(668,218)	-	(668,218)	-	(668,218)
Balance at 31 March 2017	(8,348,962)	-	(8,348,962)	332,000	(8,016,962)

The notes on pages 40 to 57 form part of these financial statements.

Notes to the financial statements for the year ended 31 March 2017

1. Statement of accounting policies

These financial statements have been prepared in accordance with the 2016-17 Government Financial Reporting Manual (FReM) issued by Department of Finance NI. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of USEL for the purpose of giving a true and fair view has been selected. The particular policies adopted by USEL are described below. They have been applied consistently in dealing with items that are considered material to the accounts. The financial statements are prepared in accordance with the accounting and disclosure requirements of the Companies Act 2006.

1.1 Accounting convention

These accounts have been prepared under the historical cost convention modified to account for the revaluation of property, plant and equipment. Despite the deficit in the Statement of Financial Position arising from the impact of IAS 19 - Retirement Benefits and the DfC loan, these financial statements have been prepared on the going concern basis because the pension deficit does not require immediate funding in full and the Department do not plan for USEL to settle the liability in the 12 months, to 31 July 2018. Contributions to the pension scheme continue to be made on the basis of recommendations made by the scheme actuary. Financial figures reported in these accounts are in pounds sterling except for note 22 Pension which are in thousand pounds sterling.

1.2 Property, plant and equipment and depreciation

Long leasehold buildings are stated at open market value and other non-current assets are stated at net current replacement cost.

Tangible non-current assets are depreciated on a straight-line basis at rates designed to write off the cost of these assets over their expected useful lives. The annual rates are based on the following useful lives:

Long leasehold buildings	-	50 years
Leasehold improvements	-	10 years
Plant and office equipment	-	10 years
Information technology	-	5 years
Motor vehicles	-	4 to 15 years

1.3 Intangible assets and amortisation

Intangible Assets comprise software licenses which are stated at net current replacement cost. Intangible Assets are amortised on a straight-line basis over 5 years.

1.4 Investment property

Investment property held for rental income is stated at fair value and independently valued by Land and Property Services on an annual basis.

1.5 Inventories

Inventories are stated at cost or, if lower, at net realisable value after making due allowance for any obsolete or slow moving items. In the case of finished goods and work in progress, cost comprises direct materials, direct labour and, if appropriate, direct overheads.

1. Statement of accounting policies (continued)

1.6 Turnover

Turnover represents the invoice value of goods and services supplied to customers, excluding Value Added Tax (VAT).

1.7 VAT

Income and expenditure excludes VAT, as all VAT collected is payable to HM Revenue and Customs and all VAT paid is recoverable from them.

1.8 Cash

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

1.9 Leases

The Company has operating leases and no finance leases. Lease rentals payable are charged to the Statement of Comprehensive Net Expenditure on a straight-line basis over the term of the lease.

1.10 Pension costs

The company operates a defined benefit scheme for its past and present employees. The fund is valued every three years by a professionally qualified independent actuary, the rates of contribution being determined by the actuary. In the intervening years the actuary reviews the continuing appropriateness of the rates. Pension costs are accounted for on the basis of charging the expected cost of providing pensions over the period during which the company benefits from the employees' services.

The increase in the present value of the liabilities of the company's defined benefit pension scheme arising from employee service in the period is charged to the Statement of Comprehensive Net Expenditure. The expected return on the scheme's assets and the increase during the period in the present value of the scheme's liabilities arising from the passage of time are included in pension finance costs and pension administrative expenses in the Statement of Comprehensive Net Expenditure. Actuarial gains and losses are recognised in Other Comprehensive Income.

The above pension scheme was closed to new employees on 31 January 2014; since this date new employees are auto-enrolled into a defined contribution scheme in accordance with current legislation.

1.11 Taxation

The Company has been granted exemption from Corporation Tax on the basis that it is a not for profit organisation.

1. Statement of accounting policies (continued)

1.12 Impending application of newly issued accounting standards not yet effective

Under IAS 8 there is a requirement to disclose those standards issued but not yet adopted. Management has reviewed the new accounting policies that have been issued but are not yet effective, nor adopted early for these financial statements. Management consider that there are no standards issued but not yet adopted that are likely to have a significant impact on these financial statements in the period of the initial application.

1.13 Critical accounting estimates

The Company prepares its financial statements in accordance with the FReM, the application of which often requires judgements to be made by management when formulating the Company's financial position and results. Under IFRS, the directors are required to adopt those accounting policies most appropriate to the Company's circumstances for the purpose of presenting fairly the Company's financial position, financial performance and cash flows.

In determining and applying accounting policies, judgement is often required in respect of items where the choice of specific policy, accounting estimate or assumption to be followed could materially affect the reported results or net asset position of the Company should it later be determined that a different choice would be more appropriate.

Management considers the accounting estimate and assumptions discussed below to be its critical accounting estimates and, accordingly, provides an explanation. Management has discussed its critical accounting estimates and associated disclosures with the Company's Audit and Risk Committee.

Pension liability: The company has a commitment, to pay pension benefits to approximately 450 people. The cost of these benefits and the present value of our pension liabilities depend on such factors as the life expectancy of the members, the salary progression of our current employees, the return that the pension fund assets will generate in the time before they are used to fund the pension payments, price inflation and the discount rate used to calculate the net present value of the future pension payments. We use estimates provided by independent experts for all of these factors in determining the pension costs and liabilities incorporated in our financial statements. The assumptions reflect historical experience and judgement regarding future expectations.

The value of the net pension obligation at 31 March 2017 and the key financial assumptions used to measure the obligation are disclosed in note 22.

2. Statement of Operating Costs by Operating Segment

The factory operation manufactures bedding products, industrial sewing products and contracts out some employees to carry out close circuit television monitoring on behalf of third parties. The Company does not rely on any major customer in this segment.

Employment Services operate employment programmes on behalf of The Department for Communities (DfC); these programmes are awarded through commercial tenders. In this segment the Company relies on DfC, being a major customer. The Chief Operating Decision Maker is the Chief Executive, reporting to the non-executive Board of Directors.

2. Statement of Operating Costs by Operating Segment (continued)

	2016-17			
	Factory Operation	Employment Services	Other	Total
	£	£		£
Income	743,182	5,499,974	232,088	6,475,244
Gross Expenditure	(1,699,840)	(5,256,113)	(187,509)	(7,143,462)
Net Expenditure	(956,658)	243,861	44,579	(668,218)

	2015-16			
	Factory Operation	Employment Services	Other	Restated Total
	£	£		£
Income	542,774	5,204,889	11,784	5,759,447
Gross Expenditure	(1,549,944)	(4,854,992)	(280,537)	(6,685,473)
Net Expenditure	(1,007,170)	349,897	(268,753)	(926,026)

The net assets at segment level are not separately reported to the Chief Operating Decision Maker and therefore have not been disclosed above.

3. Income

	2017	2016
	£	£
Trading income	653,019	487,400
Contract services	60,538	55,594
Employment support	1,085,070	994,979
Contract income	4,295,039	4,038,403
Training income	149,490	171,287
	6,243,156	5,747,663

All sales are within the United Kingdom and Republic of Ireland.

4. Staff costs

	2017	2016
	£	£
Wages and salaries	4,972,035	4,870,443
Redundancy payments	246,133	-
Social security costs	246,227	172,957
Other pension costs	222,126	502,789
	5,686,521	5,546,189

The above 2016-17 balance includes £3,581,802 (2015-16: £3,479,882) of staff costs relating to participants on the Employment Support programme.

5. Other operating expenditure

	2017	2016
	£	£
Payments to hosts and sub-contractors	296,545	191,567
Materials	279,511	182,174
General expenses	98,305	60,111
Insurance	75,305	59,412
Motor expenses	64,429	50,127
Training	51,415	24,752
Legal and professional fees	50,677	14,875
Repairs	97,538	39,833
Computer expenses	41,686	39,546
Light, heat and power	35,867	33,258
Tutors	25,859	6,243
Rent and rates	22,332	27,737
Travel	22,037	14,805
Advertising	17,721	14,192
Telephone	16,102	20,807
Printing and stationery	12,618	14,312
Audit - external audit	10,000	4,502
Audit - internal audit	5,800	3,960
Postage	9,647	4,276
Canteen	6,759	7,501
Tools	4,442	3,030
Bank charges	2,359	1,582
Discount allowed	596	240
Packing	341	683
Subtotal	1,247,891	819,525
Non-cash costs		
Bad debts written off	(110)	232
Profit on Disposal	(1,247)	-
Stock Provision	(22,279)	-
Subtotal	(23,636)	232
Total	1,224,255	819,757

6. Finance income

	2017	2016
	£	£
Interest receivable	491	463
	<u>491</u>	<u>463</u>

7. Other finance costs

	2017	Restated 2016
	£	£
Expected return on pension scheme assets	625,000	583,000
Interest on pension scheme liabilities	<u>(723,000)</u>	<u>(774,000)</u>
	<u>(98,000)</u>	<u>(191,000)</u>

8. Financial Instruments

As some of the cash requirements of USEL are met through Grant-in-aid provided by DfC, financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector body.

The majority of financial instruments relate to contracts to buy non-financial items in line with USEL's expected purchase and usage requirements and USEL is therefore exposed to little credit, liquidity or market risk.

Details of the Pension liabilities are included within note 22 below.

9. Deficit for the year

The deficit for the year is stated after charging / (crediting):

	2017	2016
	£	£
Internal Audit	5,800	3,960
External Audit	10,000	4,502
Depreciation and amortisation	45,177	38,990
Interest receivable	<u>(491)</u>	<u>(463)</u>

10.a Property, plant and equipment

	Long Leasehold Buildings	Plant and office Equipment	Motor vehicles	Total
	£	£	£	£
Cost or Valuation				
At 1 April 2016	1,450,000	647,052	43,739	2,140,791
Additions	-	146,540	87,248	233,788
Disposals	-	(12,005)	-	(12,005)
Impairments	(20,000)	-	-	(20,000)
Transfers	(90,000)	-	-	(90,000)
At 31 March 2017	1,340,000	781,587	130,987	2,252,574
Depreciation				
At 1 April 2016	-	611,847	43,739	655,586
Charged in the year	29,000	15,529	485	45,014
Disposals	-	(12,005)	-	(12,005)
Impairments	(29,000)	-	-	(29,000)
At 31 March 2017	-	615,371	44,224	659,595
Net book value				
At 31 March 2017	1,340,000	166,216	86,763	1,592,979
At 31 March 2016	1,450,000	35,205	-	1,485,205

The company's long leasehold buildings were revalued at 31 March 2013 on the basis of open market value for existing use by The Land & Property Services, Belfast and reviewed at the end of the current year. The valuations were prepared in accordance with the Royal Institution of Chartered Surveyors' Valuation Standards, Global and UK 8th Edition. Plant and office equipment are revalued using indices published by the Office of National Statistics, but no revaluation has been included as the amounts are immaterial. The non-current assets are all owned by the Company.

10.b Property, plant and equipment

	Long Leasehold Buildings	Plant and office Equipment	Motor vehicles	Total
	£	£	£	£
Cost or Valuation				
At 1 April 2015	1,150,000	632,540	43,739	1,826,279
Additions	-	14,512	-	14,512
Revaluation	300,000	-	-	300,000
At 31 March 2016	1,450,000	647,052	43,739	2,140,791
Depreciation				
At 1 April 2015	-	595,857	43,739	639,596
Charged in the year	23,000	15,990	-	38,990
On revaluation	(23,000)	-	-	(23,000)
At 31 March 2016	-	611,847	43,739	655,586
Net book value				
At 31 March 2016	1,450,000	35,205	-	1,485,205
At 31 March 2015	1,150,000	36,683	-	1,186,683

10.c Intangible assets

	Software Licences
	£
Cost or Valuation	
At 1 April 2016	51,977
Additions	<u>3,270</u>
At 31 March 2017	<u>55,247</u>
Depreciation	
At 1 April 2016	51,977
Charged in the year	<u>163</u>
At 31 March 2017	<u>52,140</u>
Net book value	
At 31 March 2017	<u>3,107</u>
At 31 March 2016	<u>-</u>

10.d Intangible assets

	Software Licences
	£
Cost or Valuation	
At 1 April 2015	<u>51,977</u>
At 31 March 2016	<u>51,977</u>
Depreciation	
At 1 April 2015	51,977
Impairments	<u>-</u>
At 31 March 2016	<u>51,977</u>
Net book value	
At 31 March 2016	<u>-</u>
At 31 March 2015	<u>-</u>

11. Investment Property

Investment property comprises part of the building at Cambrai Street, Belfast, that is leased out to tenants for a commercial rent. The property is reported at fair value based on a professional valuation provided by Land and Property Services at 31 March 2017.

	2017	2016
	£	£
Opening Balance	-	-
Transfer from PPE	90,000	-
Closing Balance	90,000	-

Rental Income of £29,085 was generated from investment property during the year.

12. Inventory

	2017	2016
	£	£
Raw materials	167,087	92,404
Work in progress	2,338	4,597
Finished goods	36,658	43,473
	206,083	140,474

13. Trade and other receivables

	2017	2016
	£	£
Receivables - trade	278,519	212,068
- employment support	-	(199,596)
Retention monies outstanding from DfC	-	271,292
Other receivables	396,346	346,604
Prepayments and accrued income	12,064	68,771
	686,929	699,139

14. Cash and cash equivalents

	2017	2016
	£	£
Balance at 1 April	293,310	(158,337)
Net change in cash and cash equivalents	91,841	451,647
Balance at 31 March	385,151	293,310

The following balances at 31 March were held at:

Commercial banks and cash in hand	500,727	293,310
Bank overdraft	(115,576)	-
Balance at 31 March	385,151	293,310

15. a Trade and other payables

	2017	2016
	£	£
Amounts falling due within one year:		
Trade payables	111,271	111,366
VAT	94,903	91,342
Other taxation and social security	52,169	46,777
Other payables	23,684	28,228
Accruals and deferred income	619,497	450,230
	901,524	727,943

15. b. Loans from the Department

	2017	2016
	£	£
Loan from DfC	2,337,687	2,337,687

The 'loan' is advanced by the Department for Communities and is secured by a charge on the Company's undertakings and all its property both present and future under a debenture dated 2 May 2001. There is no repayment date and no interest accrues on this loan.

16. Members' liability

Each member of the Company is liable to contribute, in the case of a winding up, a sum not exceeding £1. There were 6 members at the Statement of Financial Position date.

17. General Reserve

	2017	Restated 2016
	£	£
General Fund		
Opening balance	(3,419,502)	(6,011,245)
IAS 19 pension (deficit) / surplus	(5,224,000)	2,785,000
Grant in aid from DfC	952,758	732,769
Transfer from general reserve	10,000	-
Deficit for the year	(668,218)	(926,026)
Closing balance	<u>(8,348,962)</u>	<u>(3,419,502)</u>
General Reserve		
Opening balance 1 April	10,000	10,000
Transfer to general fund	(10,000)	-
Closing balance	<u>-</u>	<u>10,000</u>
Total General Reserve	<u>(8,348,962)</u>	<u>(3,409,502)</u>

18. Revaluation Reserve

	2017	2016
	£	£
Opening balance	323,000	-
Revaluation of buildings	9,000	323,000
Closing balance	<u>332,000</u>	<u>323,000</u>

19. Capital Commitments

The company had no contracted capital commitments at 31 March 2016 or 31 March 2017, not otherwise included in these financial statements.

20. Commitments under leases

At 31 March 2017 the company had annual commitments under non-cancellable operating leases. Total future minimum lease payments under operating leases are given in the table below for each of the following periods:

	2017	2016
	£	£
Buildings		
Not later than one year	<u>12,020</u>	<u>22,256</u>

21. Financial performance targets

The Department for Communities does not consider it appropriate to set financial targets for USEL.

22. Commitment to pension fund

The company operates a defined benefit pension scheme in the UK for its employees. The assets of the scheme are held separately from those of the company. Contributions to the scheme are charged to the Statement of Comprehensive Net Expenditure so as to spread the cost of the pension over employees' working lives with the company. The contributions to the main scheme are determined by a qualified actuary on the basis of triennial valuations using the Projected Unit Method. The latest full actuarial valuation was carried out as at 5 April 2015.

Mr Jim Perry independently chairs the Board of Trustees. The Trust Board also has two members nominated by the Directors and two members nominated by the members of the Pension Scheme. Legal and General Investment Management manage the funds on behalf of the Trustees. Mercer Limited has been appointed by the Trustees to act as their Administrators and Advisors on the operation of the Scheme.

Change in benefit obligation	2017	2016
	£'000	£'000
Benefit obligation at beginning of year	19,751	22,033
Current service cost	251	499
Past Service cost	(43)	-
Interest costs	723	774
Plan participants' contributions	205	218
Benefit payments from plan	(365)	(220)
Insurance premiums for risk benefits	(27)	(7)
Actuarial losses / (gains)	7,330	(3,546)
Benefit obligation at end of year	<u>27,825</u>	<u>19,751</u>

22. Commitment to pension fund (continued)

Change in plan assets	2017	2016
	£'000	£'000
Fair value of plan assets at beginning of year	17,112	16,821
Expected return on plan assets	625	583
Employer contribution	517	568
Member contributions	205	218
Benefits paid	(365)	(220)
Administrative expenses paid	(90)	(90)
Insurance premiums for risk benefits	(27)	(7)
Return on plan assets (excluding interest income)	2,106	(761)
Fair value of plan assets at end of year	20,083	17,112

Amounts recognised in the statement of financial position

	2017	2016
	£'000	£'000
Defined benefit obligation	(27,825)	(19,751)
Fair value of plan assets	20,083	17,112
Funded status - net liability	(7,742)	(2,639)

Components of pension cost

	2017	2016
	£'000	£'000
Current service cost	251	499
Past service cost	(43)	-
Total service cost	208	499

Interest cost	723	774
Interest (income) on plan assets	(625)	(583)
Total net interest cost	98	191

Administrative expenses and taxes	90	90
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Defined benefit cost included in the Statement of Net Comprehensive Expenditure	396	780
Total re-measurements included in other comprehensive income	5,224	(2,785)
Total defined benefit cost recognised in the Statement of Net Comprehensive Expenditure and other comprehensive income	5,620	(2,005)

22. Commitment to pension fund (continued)

Net defined benefit liability reconciliation	2017	2016
	£'000	£'000
Net defined benefit liability	2,639	5,212
Defined benefit cost included in the Statement of Net Comprehensive Expenditure	396	780
Total re-measurements included in other comprehensive income	5,224	(2,785)
Employer contributions	(517)	(568)
Net defined liability as of end of year	7,742	2,639

Defined benefit obligation	2017	2016
Benefit obligation by participant status	£'000	£'000
Actives	16,103	11,177
Vested deferreds	8,698	6,266
Retirees	3,024	2,308
Total	27,825	19,751

Plan assets	2017	2016
Fair value of plan assets	£'000	£'000
Cash and cash equivalents	323	153
Equity instruments	10,154	8,372
Debt instruments	9,606	8,587
Total	20,083	17,112

Significant actuarial assumptions

Weighted average assumptions to determine benefit obligations

	2017	2016
	%	%
Discount rate	2.5	3.6
Rate of increase in salaries	3.1	2.9
Rate of pension increases	3.1	2.9
Inflation assumption - RPI	3.1	2.9
Inflation assumption - CPI	2.1	1.9

22. Commitment to pension fund (continued)

Weighted average assumptions to determine defined benefit cost

	2017	2016
	%	%
Discount rate	3.6	3.4
Rate of increase in salaries	2.9	3.5
Rate of pension increases	2.9	2.9
Inflation assumption - RPI	2.9	3.0
Inflation assumption - CPI	1.9	n/a

Assumed life expectancy on retirement at age 65

	2017	2016
Retiring today (member age 65)	21.2	21.1
Retiring in 20 years (member age 45 today)	23.3	23.2

Sensitivity Analysis

	2017	2016
	£'000	£'000
<i>Present value of defined benefit obligation</i>		
Discount rate - 25 basis points	29,632	20,932
Discount rate + 25 basis points	26,161	18,658
Price inflation - 25 basis points	26,307	18,752
Price inflation + 25 basis points	29,463	20,823
Mortality assumption - 1 year	28,739	20,292
<i>Weighted average duration of defined benefit obligation (in years)</i>		
Discount rate - 25 basis points	25.17	23.23
Discount rate + 25 basis points	24.67	22.77

Other required disclosure amounts

The contributions expected to be paid to the plan during the next financial year amount to £515,000

23. Related party transactions

USEL is a Non-Departmental Public Body (NDPB) sponsored by the Department for Communities, which is regarded as a related party. During the year, USEL has had various transactions with the Department and with other entities for which the Department is regarded as the sponsoring Department.

None of the Board members, members of the key management staff or other related parties have undertaken any material transactions with USEL during the year.

The following balances included in USEL's accounts relate to transactions with the Department for Employment and Learning.

Department for Communities	Balance due to DfC (ES)	Other Balances due from	Retention Monies due	Loan	Grants received
31-Mar-17	297,926	-	-	2,337,687	952,758
31-Mar-16	(199,596)	148,963	271,292	2,337,687	732,769

24. Taxation

The Company is registered with HM Revenue and Customs as a charity for tax purposes and, as such, is entitled to certain tax exemptions on income and profits from investments and surpluses on any trading activities carried on in furtherance of its primary objectives, if these profits and surpluses are applied solely for charitable purposes.

25. Prior year adjustment

It has been identified that the loan of £2,337,687 from the Department for Communities was incorrectly presented within reserves in the Company's financial statements in prior years. This balance has now been reclassified to loans falling due within one year. This has resulted in an increase in the previously reported net liabilities at 31 March 2016 and 31 March 2015 but has had no impact on reported results for the year ended 31 March 2015.

It was also identified that the finance and administration expenses (£191,000 and £90,000 respectively) were incorrectly presented as Other Comprehensive Expenditure and that the actuarial gain of £2,785,000 had not been presented as Other Comprehensive Expenditure in the prior year. These balances have now been reclassified to Net Expenditure and Other Comprehensive Expenditure respectively. This has not resulted in any change to net liabilities at either 31 March 2016 and 31 March 2015, but has resulted in a decrease of £281,000 to Net Expenditure and an increase of £2,785,000 to Comprehensive Net Expenditure for the year ended 31 March 2015.

26. Events after the Reporting Date

There were no events after the reporting date which would require adjustment to the financial statements.

The Accounting Officer authorised these financial statements for issue on 3 July 2017.

Application of the Accounting and Disclosure Requirements of the Companies Act 2006 and Accounting Standards

Companies Act 2006.

- 1 The disclosure exemptions permitted by the Companies Act 2006 shall not apply to Ulster Supported Employment Limited unless specifically approved by Department of Finance (DoF)
- 2 The Companies Act 2006 requires certain information to be disclosed in the Directors' Report. To the extent that it is appropriate, the information relating to Ulster Supported Employment Limited shall be contained in the Foreword
- 3 When preparing its income and expenditure account, Ulster Supported Employment Limited shall have regard to the profit and loss account format prescribed in the Companies Act 2006
- 4 When preparing its Statement of Financial Position, Ulster Supported Employment Limited shall have regard to Statement of Financial Position format prescribed in the Companies Act 2006. The Statement of Financial Position totals shall be struck at "Total assets less current liabilities"
- 5 The Foreword and Statement of Financial Position shall be signed by the Accounting Officer and dated

Additional disclosure requirements

- 1 The foreword shall, inter alia:
 - (a) state that the financial statements have been prepared in a form directed by the Department for Communities with the consent of DoF; and
 - (b) include a brief history of Ulster Supported Employment Limited and its statutory background.
- 2 The notes to the financial statements shall include details of the key corporate financial targets set by the Department together with the performance achieved.